



STATE OF MICHIGAN

DEPARTMENT OF COMMUNITY HEALTH  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

JANET OLSZEWSKI  
DIRECTOR

October 20, 2006

Dear Chief Executive Officer:

The Michigan Department of Community Health (MDCH) anticipates receiving federal approval of a key reimbursement initiative for State Fiscal Year 2007 (October 1, 2006 – September 30, 2007). The initiative will result in increased capitation payments to Medicaid Managed Care Organizations (MCOs) who will in turn provide additional reimbursement to hospitals for inpatient and outpatient services for Medicaid beneficiaries. In order to develop a reimbursement methodology that fairly represents Medicaid managed care utilization by hospitals, it is necessary for the Medical Service Administration (MSA) to collect additional historical payment information from all hospitals. This letter describes the process necessary to collect the data.

Currently hospitals provide Medicaid MCO utilization and payment data to MSA in their annual cost report. The information is included in the MCO section of the Michigan Medicaid Forms. This historical MCO payment information will be used as the basis for a reimbursement methodology that assures payments to hospitals based on Medicaid managed care volume. For precision, the payment data currently provided will need to be broken out at the MCO level (it is currently aggregated for all MCO payments to your facility). Please note that only inpatient and outpatient **payment** data need to be disaggregated by MCO for this data request. MCO data related to **days** and **charges** do not need to be disaggregated.

The attached MCO Payment Summary Template must be completed by your hospital and returned to MSA **by Friday, November 3, 2006**. The inpatient and outpatient MCO payment totals on the template should match those submitted to MSA on your Michigan Medicaid Forms for your hospital Fiscal Year ending during State Fiscal Year 2005 (between October 1, 2004 and September 30, 2005). They are as follows:

- MCO IP Summary – Title XIX
  - Med Surg – Line 12, MCO Program Payments Received: .....(mail merge item)
  - Rehab Per Diem – Line 12, MCO Program Payments Received: .....(mail merge item)
- MCO Outpatient OP Summary – Title XIX
  - Outpatient – Line 2, Program MCO OP Payments: .....(mail merge item)
  - Rehab Per Diem (OP) – Line 2, Program MCO OP Payments: .....(mail merge item)

Your hospital may pursue one of the following two options when completing the template:

1. Complete the template with inpatient and outpatient payment amounts from all applicable MCOs that sum up to the amounts reported on the current version of the cost report your facility filed in State Fiscal Year 2005 (as reflected above).
2. If you determine that the inpatient and outpatient MCO payments that you previously reported are inaccurate, you must amend your cost report with the revised information. The MCO Payment Summary Template must then be completed with inpatient and outpatient payment amounts from all applicable MCOs that sum up to these revised amounts. If you choose to revise your cost report, both the revised cost report and the MCO Payment Summary Template must be filed by **Friday, November 3, 2006**.

An electronic copy of the MCO Payment Summary Template can be found on the MDCH website at: <http://www.michigan.gov/mdch> >> *Providers* >> *Information for Medicaid Providers* >> *Provider Specific Information* >> *Hospital – Inpatient*. Please submit the completed template electronically to Jason Jorkasky at [JorkaskyJ@michigan.gov](mailto:JorkaskyJ@michigan.gov) in MS Excel format. **Should an amendment to your cost report be necessary, please submit through the normal cost report amendment process.**

Thank you in advance for your prompt attention to this request. For this analysis to be complete and accurate, it is imperative that MSA receive all necessary data by the **Friday, November 3, 2006** deadline. Please contact Jason Jorkasky at (517) 241-2033 or via email if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Reinhart". The signature is fluid and cursive, with the first name "Paul" and last name "Reinhart" clearly distinguishable.

Paul Reinhart, Director  
Medical Services Administration

cc: Financial Officers

Attachment